

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

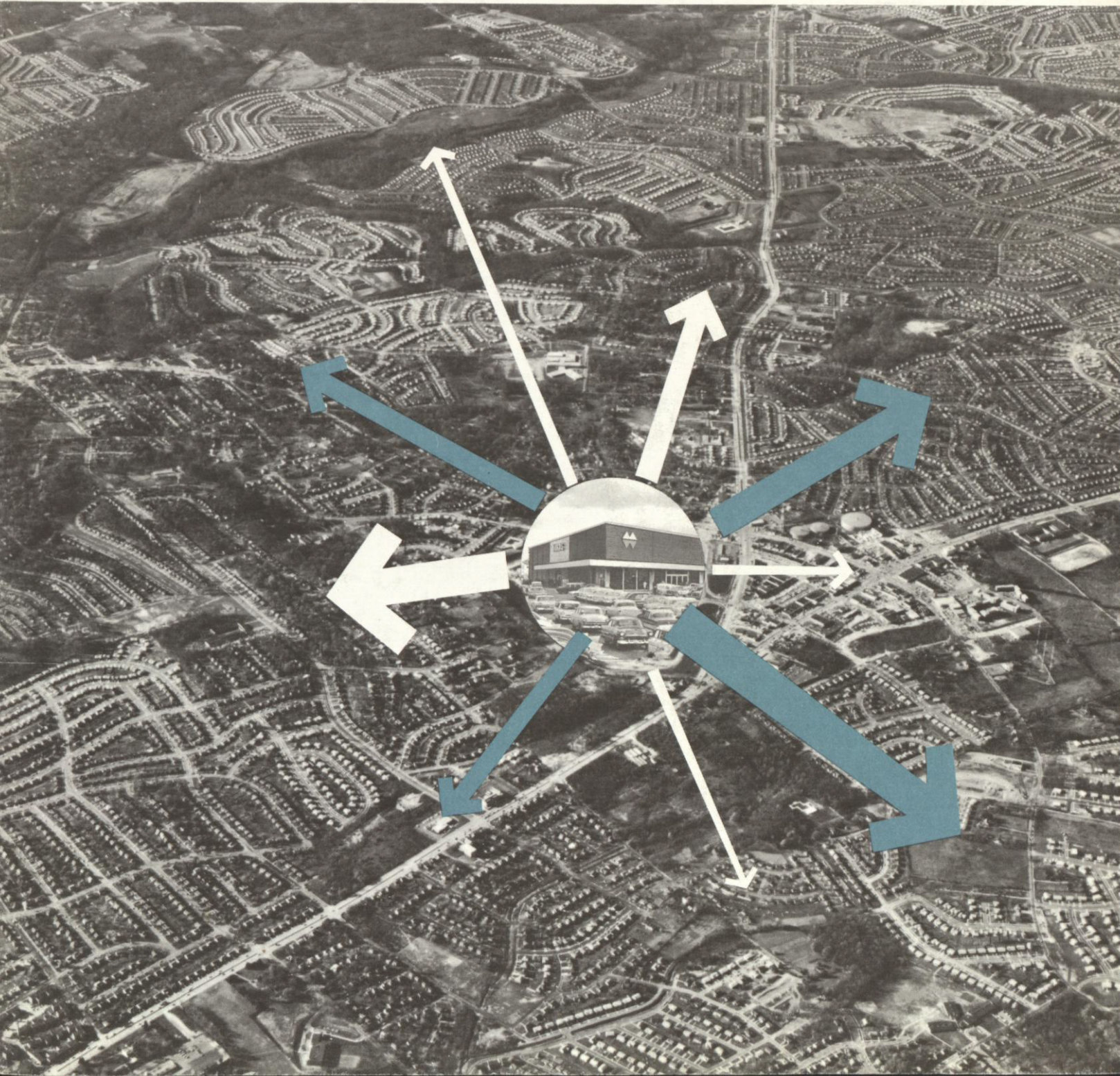
ANNUAL REPORT 1959

MONTGOMERY WARD



*Since
1872*

for the fiscal year ended February 3, 1960





To our shareholders:

Net earnings after taxes for the fiscal year ended February 3, 1960 were \$30,656,537, equal to \$2.28 per share of common stock. This compared with earnings of \$28,030,510, or \$2.08 per share, the previous year.

Sales of \$1,222,596,263 were the highest in the history of the Company and were 11.9% higher than last year's sales of \$1,092,267,472.

The fiscal year of 1959 contained 53 weeks, compared to 52 weeks in fiscal 1958. This difference accounted for approximately \$20,000,000 of sales in 1959 over the previous year. Approximately 3.4% of the year's sales were from new stores which were open less than the full year.

At the end of the fiscal year, the Company had 106,006 shareholders, 6,050 more than a year ago and the largest number in the history of the Company.

Twelve new retail stores were opened during the year. Seven of these were in communities where the Company had not previously had a store and the remaining five were relocations of smaller stores. At the end of the year the Company was operating 547 retail stores.

Forty-four new catalog stores were opened during the year, bringing the total of these stores to 568. Sales from the catalogs, which account for approximately one-third of the Company's sales, have continued to increase during each of the last five years.

New distribution centers began operations during the year at Kansas City, Missouri, and San Leandro, California. Two additional centers, now under construction at Baltimore, Maryland, and Fort Worth, Texas, will be completed by the end of 1960.

Present plans are to open 25 new retail stores during 1960. Eighteen will be in communities where the Company has not previously had a retail store. Seven will be relocations of smaller stores.

Forty new catalog stores are planned to be opened during the year.

Of the 14 retail stores closed last year because sales and profits were unsatisfactory, five were replaced by new and larger retail stores in better locations, and six located in smaller communities were replaced with catalog stores.

RESULTS AT A GLANCE

for the fiscal year ended

*February 3,
1960*

*January 28,
1959*

Operations

Net sales	\$1,222,596,263	\$1,092,267,472
Net earnings	30,656,537	28,030,510
Dividends paid	27,010,180	27,011,140
Earnings reinvested	3,646,357	1,019,370
Additions to properties and equipment	36,073,835	27,271,255

Financial Position

Working capital	\$ 541,005,545	\$ 566,551,714
Net investment in properties and equipment	104,691,071	75,225,195
Shareholders' investment	645,696,616	641,776,909

Shareholders' Interest

Investment per common share	\$ 48.85	\$ 48.57
Earnings per common share	2.28	2.08
Dividends per common share	2.00	2.00

COVER—Aerial photograph shows location of new Montgomery Ward store in Wheaton, Md., suburb of Washington, D.C.

Credit sales are increasingly important in the Company's total sales program. During the year, 37.2% of total sales were made on credit. Ninety per cent of these credit sales were on the installment plan and the remaining 10% were made under the relatively new Wards Revolving Charge Plan. The Revolving Charge Plan, available in 200 of our retail stores, was extended to all catalog customers during the year. Under this Plan, customers have the privilege of a 30-day charge account without service charge or a 10-month payment schedule with a small service charge.

A 10-year contract for the printing of all catalogs was signed during 1959 with the W. F. Hall Printing Company of Chicago, and is expected to provide substantial economies in the printing of the 45,000,000 catalogs which the Company issues each year. The first of the catalogs under the new contract will be printed this fall.

The assets of the Pension Plan, adopted in 1957, aggregated \$16,660,905 at the end of the 1959 calendar year. Under this plan, 1,286 retired employees are receiving monthly pension payments. During the 1959 calendar year, payments totaled \$798,741.

The Company adopted an Incentive Payment Plan, effective in 1960, for all management employees except the seven highest paid officers and the store managers. Under this plan, approximately 900 executive employees are eligible to receive incentive payments measured by their individual performance and the level of Company profits. Although of modest proportion, this plan is expected to stimulate the generation of improved profits.

The store managers have an established incentive plan which relates each manager's compensation to the profit produced in the store which he manages.

At the annual shareholders' meeting in 1959, a plan of growth and expansion was announced which anticipates the need for approximately \$500 million of additional capital during the next five years for new stores, larger inventories, and increased accounts receivable.

The needed capital, beyond retained earnings, will come chiefly from the financing of customer receivables through the recently organized Montgomery Ward Credit Corporation, and the financing of real estate through the recently organized Montgomery Ward Real Estate Cor-



poration. These wholly-owned subsidiaries will borrow from banks and other lenders and will use the proceeds of such loans to buy receivables and real estate from the Company. The Company has no plans for raising additional equity capital through the issuance and sale of common stock.

Two new Directors were elected at the annual meeting in April 1959. Robert L. Milligan, President of The Pure Oil Company, and Ernest S. Marsh, President of The Atchison, Topeka and Santa Fe Railway Company, were elected Directors to succeed Sewell L. Avery, retired, and to fill a vacancy.

With further development of an aggressive merchandising program and continued expansion of our facilities, and with normal economic conditions, your management believes that sales and earnings will continue to show improvement in 1960.

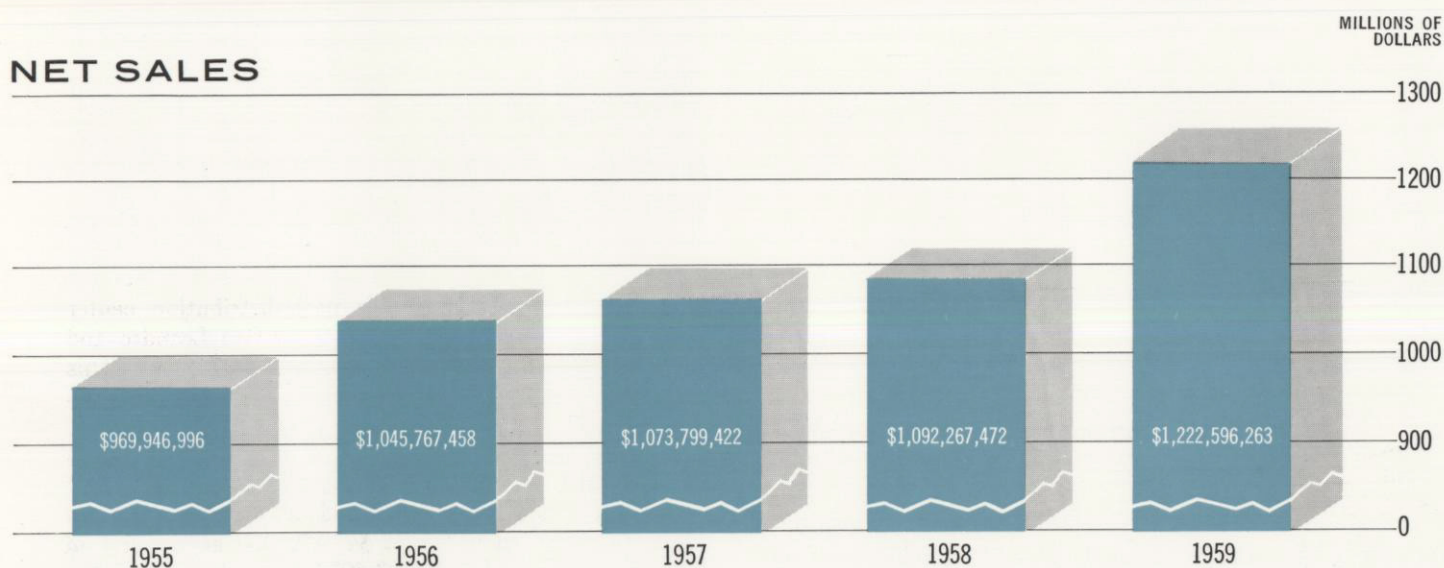
Additional facts about the Company's operations are presented on the following pages.

Respectfully submitted,

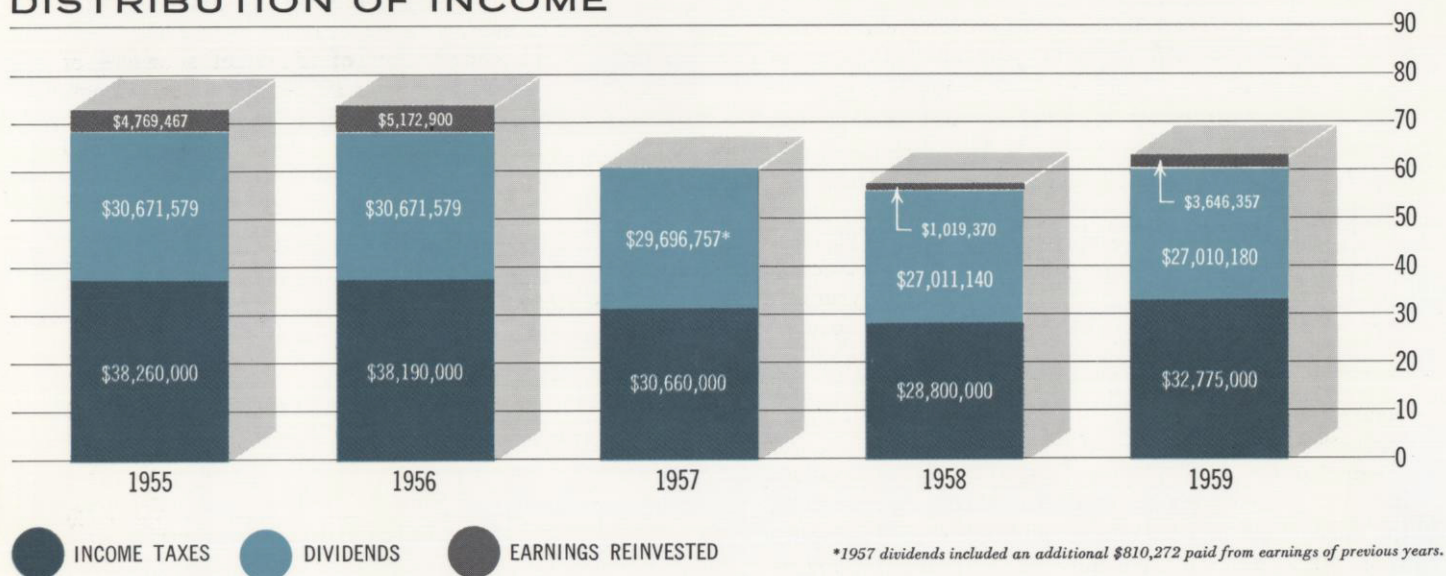

Chairman of the Board

April 20, 1960

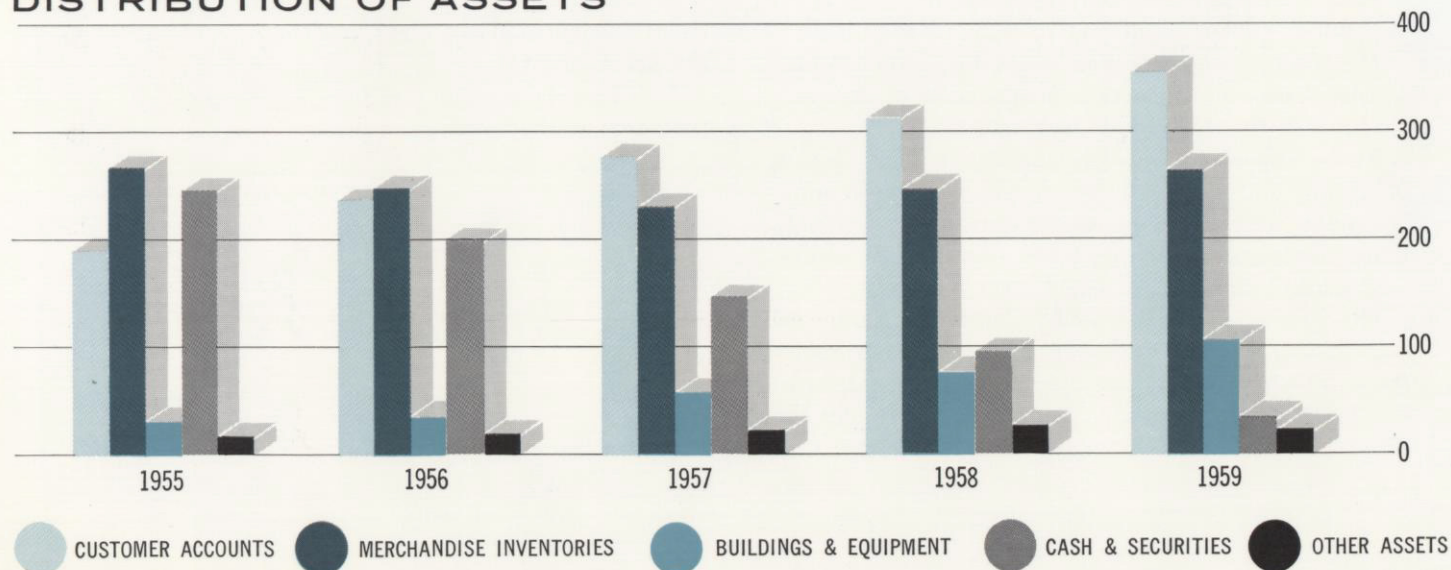
NET SALES



DISTRIBUTION OF INCOME



DISTRIBUTION OF ASSETS



Financial statistics

Net sales of Montgomery Ward established an all time high of \$1,222,596,263 during the fiscal year of 53 weeks ended February 3, 1960. This was 11.9% higher than last year's 52-week total of \$1,092,267,472.

Retail and catalog stores accounted for 88% of the Company's total sales and catalog orders received by mail directly from customers accounted for 12%.

Earnings before taxes totaled \$63,431,537 for the fiscal year. Of this total (see chart at left), \$32,775,000 were deducted for federal income taxes.

Net earnings after taxes were \$30,656,537 or \$2.28 per common share, as compared with \$28,030,510 or \$2.08 per common share last year, based upon the average number of shares outstanding during each year.

Common stock dividends of \$25,599,302, equal to \$2.00 per share, were paid during the year. Dividends of \$7.00 per share, amounting to \$1,410,878, were paid on Class "A" stock.

Earnings reinvested in the business totaled \$3,646,357 as compared with \$1,019,370 last year.

The total investment of shareholders at the end of the fiscal year was equivalent to \$48.85 per share of common stock outstanding as compared with \$48.57 one year ago.

The Company has 1,952 leases with landlords covering retail stores, catalog stores and warehouse locations. The minimum annual rentals for which the Company is obligated under these agreements for the fiscal year 1960 total approximately \$13,900,000. The total minimum rentals from February 3, 1960 until the expiration of the leases, or until their optional cancellation dates, amount to approximately \$186,750,000. The Company has no obligations under any of these leases beyond the year 1991 except for some ground leases of one store that extend through the year 2020. Options that provide for renewal privileges exist under the terms of many of the retail store leases now in force.

Cash on hand and in banks and investments in marketable securities at the end of the year totaled \$33,556,078. This amounted to a reduction of 64.6% from last year's total of \$94,730,001 and reflects a continuation of the Company's long-range plan of converting its cash into accounts receivable, inventories and new facilities.

Accounts receivable, consisting principally of time payment accounts, increased 16.8% during the year from \$305,325,253 to \$356,590,631.

Total investment in merchandise inventories at the end of the fiscal year was \$260,218,266 as compared with \$242,026,480 last year, an increase of 7.5%.

Additions to the properties and equipment account during the 53-week period of 1959, including construc-

tion costs for the Company's new distribution center facilities at Kansas City, Mo., and at San Leandro and Oakland, California, amounted to \$36,073,835. This compares with total additions to properties and equipment of \$27,271,255 last year.

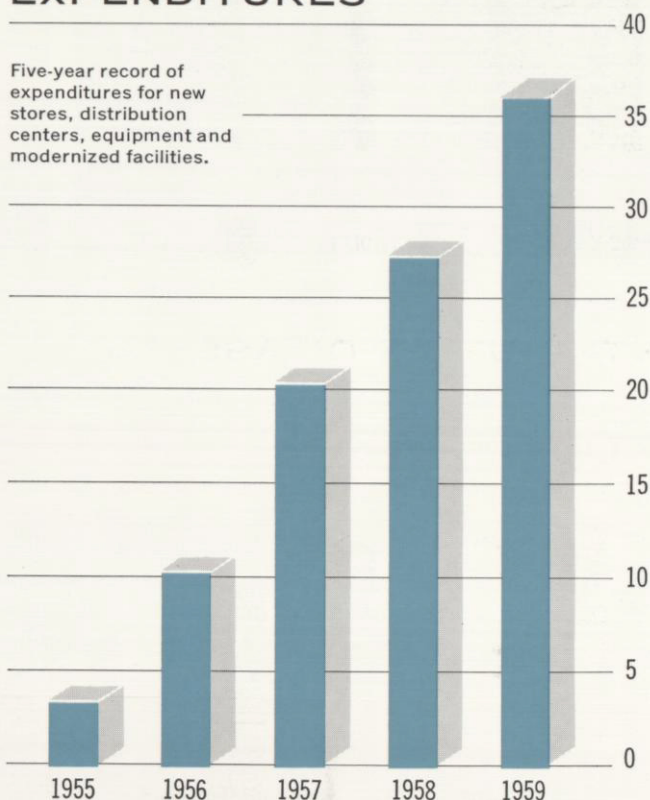
Unexpended capital appropriations for the construction of new stores and distribution centers, the installation of new fixtures and equipment, and the rehabilitation of existing stores amounted to \$47,793,000 at the end of the year, compared with \$33,405,000 at the end of the previous year.

Provisions for depreciation and amortization of the fixed assets amounted to \$6,429,527, as compared with \$5,334,929 last year.

The changing composition of the asset accounts of Montgomery Ward during the 1955-1959 period is portrayed in the bottom chart at the left. Cash and securities were reduced 86% while accounts receivable increased 88% and fixed assets increased 237%.

CAPITAL EXPENDITURES

MILLIONS OF DOLLARS





1. Accommodation Centers offer a variety of services—from check cashing to sale of fishing licenses.
2. Customers are assisted in ordering from selection of 100,000 catalog items at order desks.
3. Consultants help customers in selection of colors, fabrics, furniture and accessories for their homes.
4. Auto service experts provide motorists with guaranteed service and merchandise values.
5. Consultation and advice are important services for customers who prefer to buy on credit.



Customer services

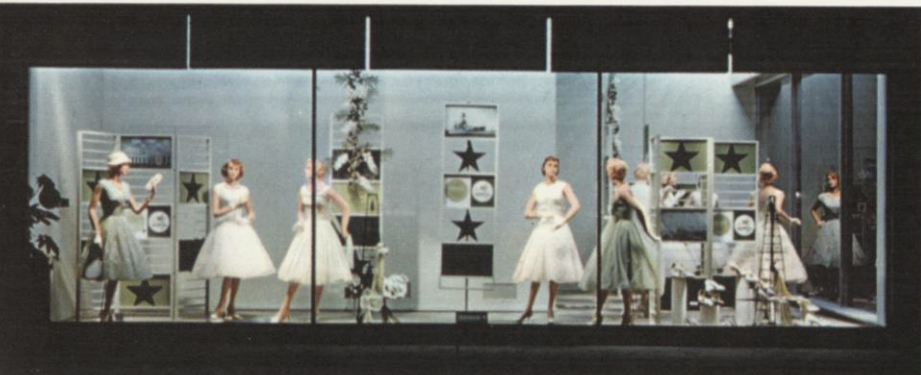
Most of the 12 million new families of this decade will establish their homes in the new suburban areas of major cities. They will seek out and patronize the stores and shops that offer them reliable and fairly priced merchandise with prompt and efficient service.

To meet the needs of these families, Wards' stores are broadening their lines of services and are establishing special accommodation centers for customers. Under the one roof of a Ward store, families now can accomplish most of their time-consuming household management chores—from getting home decoration or plumbing installation advice to buying a hunting license, paying utility bills or servicing the family car. As it has for 88 years, Montgomery Ward is providing its customers with reliable service and merchandise so they may live a better life.

Don't Eat

MONTGOMERY WARD

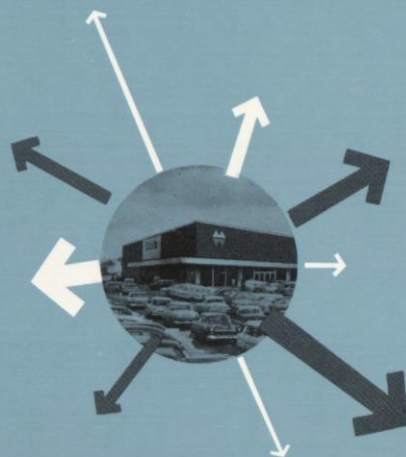
PATTERN FOR PROGRESS IN THE 60'S



NEW STORES . . .

are serving thousands of new customers in new suburban communities of the dynamic growth areas of the United States. And more are being planned for the future as Montgomery Ward carries forward its program of growth and development. Wards' stores are offering broader selections of high quality merchandise and additional customer services to provide millions of Americans with the better values which they are seeking for better living in the decade of the sixties.

Whatever way customers want to buy, that's the way Montgomery Ward is going to sell. In the city, in the suburb or on the farm; by day or by night; by mail, by telephone, in the home or in the store; by cash or on credit; Wards is offering greater shopping values, services and conveniences than ever before.





Mall of new shopping center at Wheaton Plaza, Maryland.

Wards expands in the

DYNAMIC GROWTH AREAS OF THE NATION

The pace of expansion is accelerating rapidly at Montgomery Ward. Seventeen full-line department stores, eight home furnishings and hard-line stores, forty catalog stores and two large distribution centers are being opened during 1960.

Similar growth and development is being planned for 1961 and 1962.

Proper location is a major factor in the profitability of stores. Wards' new stores are being established primarily in the dynamic growth areas of the nation and in new shopping centers on the perimeters of large cities. In many metropolitan market areas, Wards is establishing clusters of new stores which can operate more profitably through the use of common advertising, warehousing, delivery and service facilities.

The market research, real estate and engineering departments of the Company have been investigating, negotiating and planning for the construction of new stores where there are favorable long range prospects for a high annual sales volume. Most shopping center locations in major metropolitan areas are under continuing study as the management of Wards seeks out those areas which offer the most promise for the success of the new stores to be established under the Company's long range plan for growth and development.

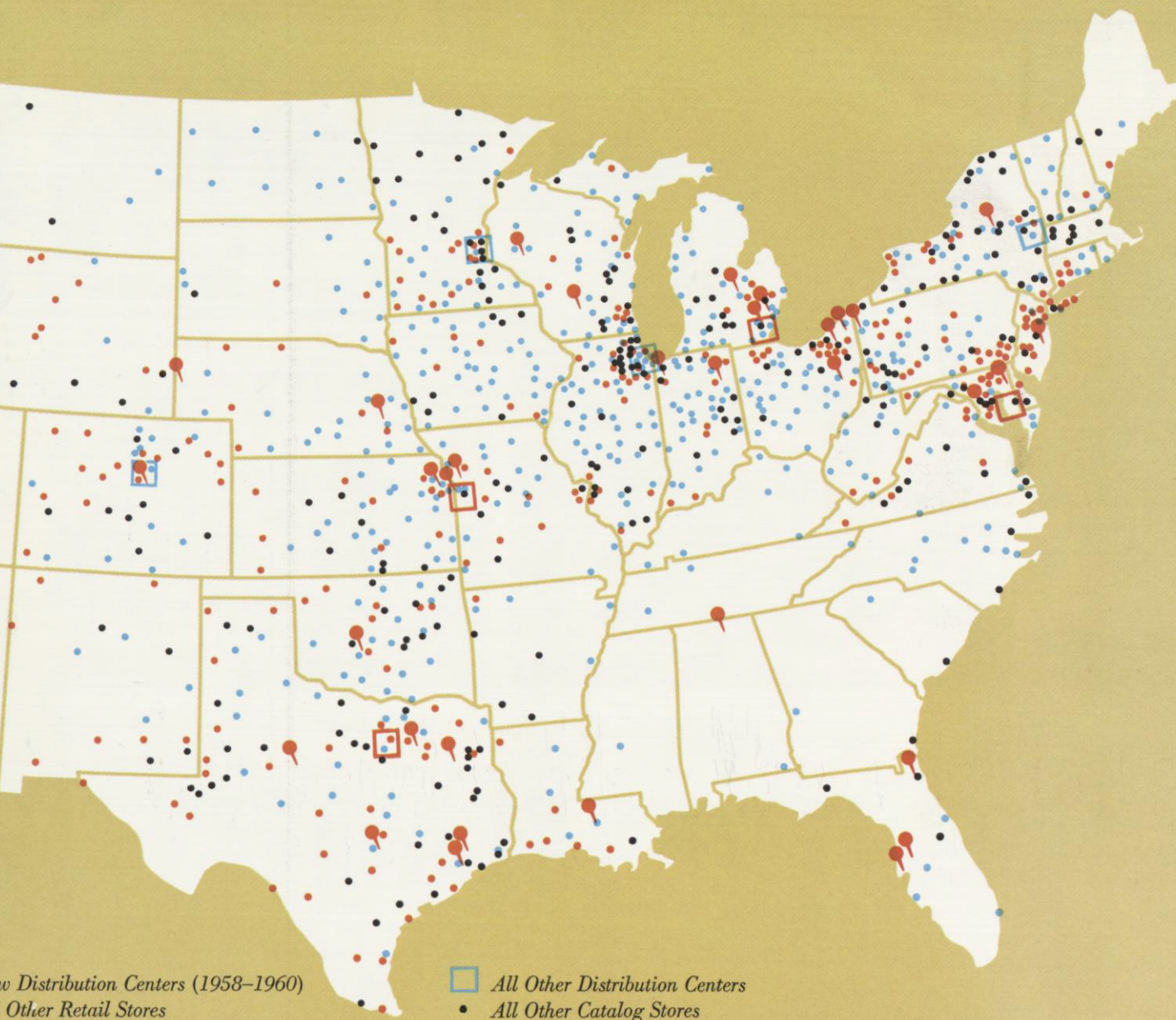
During the next 10 years the population of our country is expected to increase by almost 20 per cent and most of this growth will be in the suburban areas of present metropolitan centers.

Wards' expansion is being concentrated in these dynamic growth areas.



- New Retail Stores (1958-1960)
- New Catalog Stores (1955-1960)





NEW DISTRIBUTION ECONOMIES

Wards' growing fleet of about 500 tractor and trailer units will travel 15 million miles this year to supply retail and catalog stores with daily deliveries of merchandise from the Company's giant distribution centers. (Allen Park, Mich. at left) These same trucks, on their return trips, will gather up an infinite variety of merchandise from the small and large factories that manufacture the products that Wards sells. This new transport system, by offsetting rate increases for freight, railway express and parcel post shipments, and by serving both suppliers and stores, is substantially reducing the cost of distributing merchandise to customers.



New customers

... toddlers and teen-agers, mothers and dads, those who work and those who play, are finding that Ward stores and catalogs are offering new and better merchandise selections that meet today's modern requirements of good taste, good design, good fashion, good color and good value. It is the purpose of Wards to merit ever greater acceptance from present customers, and to continue to attract new customers, by providing them with quality goods at appealing prices in an economic and courteous manner. The merchandising policy of the 60's is the same as it was in 1872 when A. Montgomery Ward founded the Company—Customer Satisfaction Guaranteed Or Your Money Back.



MONTGOMERY WARD

& Co., Incorporated



Since
1872

Consolidated statements of earnings and earnings reinvested

for the periods ended February 3, 1960 and January 28, 1959

EARNINGS

1960
(53 Weeks)

1959
(52 Weeks)

Net Sales	\$1,222,596,263	\$1,092,267,472
Costs and Expenses:		
Cost of merchandise sold, including net buying, operating, selling and administrative expenses other than itemized herein	\$1,110,190,374	\$ 993,919,270
Property, social security and state taxes	18,671,667	14,857,617
Rents	15,362,830	13,360,535
Repairs and maintenance	5,130,565	4,642,759
Depreciation and amortization	6,429,527	5,334,929
Contribution to employees' retirement plan	3,379,763	3,321,852
Total costs and expenses	\$1,159,164,726	\$1,035,436,962
Earnings Before Taxes on Income	\$ 63,431,537	\$ 56,830,510
Provision for federal taxes on income	32,775,000	28,800,000
Net Earnings	\$ 30,656,537	\$ 28,030,510

EARNINGS REINVESTED

Balance at Beginning of Year	\$ 417,589,364	\$ 416,569,994
Net Earnings	30,656,537	28,030,510
Total	\$ 448,245,901	\$ 444,600,504
Cash Dividends:		
Class "A" stock—\$7.00 per share	\$ 1,410,878	\$ 1,410,878
Common stock—\$2.00 per share in both years	25,599,302	25,600,262
Total	\$ 27,010,180	\$ 27,011,140
Balance at End of Year	\$ 421,235,721	\$ 417,589,364

Consolidated balance sheet

February 3, 1960 and January 28, 1959

ASSETS

Current Assets:

	1960	1959
Cash	\$ 25,939,924	\$ 25,857,818
Marketable securities, at cost less reserve for market decline	7,616,154	68,872,183
Receivables, principally time payment accounts, less reserves for doubtful accounts and unearned carrying charge income of \$19,183,631 in 1960 and \$17,020,705 in 1959	356,590,631	305,325,253
Merchandise inventories, at the lower of cost or market	260,218,266	242,026,480
Prepaid catalog costs, supplies, etc.	23,385,875	20,749,313
Total current assets	<u>\$673,750,850</u>	<u>\$662,831,047</u>

Properties and Equipment, at cost:

	1960	1959
Land		\$ 14,086,300
Buildings	\$ 85,102,801	\$ 70,364,747
Fixtures and equipment	56,303,016	41,122,093
Total buildings, fixtures and equipment	<u>\$141,405,817</u>	<u>\$111,486,840</u>
Less—Reserves for depreciation	59,483,372	56,096,213
Leasehold improvements, after amortization		8,682,326
Total properties and equipment	<u>\$104,691,071</u>	<u>\$ 75,225,195</u>
	<u>\$778,441,921</u>	<u>\$738,056,242</u>

LIABILITIES

Current Liabilities:

Notes payable to banks	\$ 28,000,000	\$ —
Accounts payable and other liabilities	52,312,055	47,195,052
Accrued expenses	29,012,517	27,649,900
Federal taxes on income	23,420,733	21,434,381
Total current liabilities	<u>\$132,745,305</u>	<u>\$ 96,279,333</u>

Capital Stock and Earnings Reinvested:

Class "A" stock, no par value— Authorized 205,000 shares noncallable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value	\$ 20,155,400	\$ 20,155,400
Common stock, no par value— Authorized 20,000,000 shares; issued 13,004,756 shares, at stated value	\$211,231,385	\$211,231,385
Earnings reinvested in the business	421,235,721	417,589,364
Total common stock and earnings reinvested in the business	<u>\$632,467,106</u>	<u>\$628,820,749</u>
Less—Treasury common stock, 201,350 shares in 1960 and 208,500 shares in 1959, at cost	6,925,890	7,199,240
Total capital stock and earnings reinvested	<u>\$645,696,616</u>	<u>\$641,776,909</u>
	<u>\$778,441,921</u>	<u>\$738,056,242</u>

NOTES:

Retirement Plan

Under a retirement pension plan established by the Company, and its consolidated subsidiary, there was an estimated unfunded past-service liability of approximately \$35,000,000 as of February 3, 1960. Provision was made during the fifty-three week period ended February 3, 1960 for interest on past-service liability and full funding of current-service liability.

Stock Options

On February 3, 1960 the Company had reserved, under a restricted stock option plan, 392,850 shares of its authorized but unissued common stock for issuance to officers and key employees. Under the terms of the plan the Company may elect to issue reacquired stock in lieu of authorized but unissued common stock. The option price is the closing price of the stock on the New York Stock Exchange on the day the option is granted. Options granted are exercisable in ten equal amounts over a ten-year period on a cumulative basis commencing one year from date of grant. During the fifty-three week period ended February 3, 1960, 7,150 shares of treasury stock were issued for options exercised. On February 3, 1960, 196 individuals held options for 355,575 shares at prices ranging from \$35¼ to \$47⅞ per share, of which options for 67,710 shares were exercisable.

AUDITORS' CERTIFICATE

To the Shareholders and Board of Directors,
Montgomery Ward & Co., Incorporated:

We have examined the consolidated balance sheet of Montgomery Ward & Co., Incorporated (an Illinois corporation) and subsidiary as of February 3, 1960, and the related consolidated statements of earnings and earnings reinvested for the fifty-three week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of earnings and earnings reinvested present fairly the financial position of the company and subsidiary as of February 3, 1960 and the results of their operations for the fifty-three week period then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

Chicago, Illinois
March 22, 1960

MONTGOMERY WARD

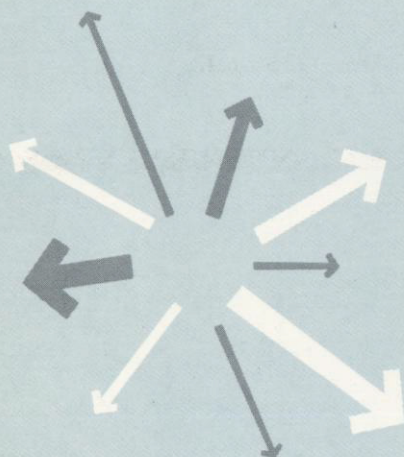
& Co., Incorporated





Wards' largest store was opened in September at the Wonderland Shopping Center of Livonia, Mich., suburb of Detroit. Participating in the grand opening celebration were 1,000 shareholders from the Detroit area, 450 suppliers who attended a one day conference conducted by principal officers of Wards, and 226,000 new customers who visited the store during its first three days of business.

Five-Year statistical summary



	<i>for fiscal years ended</i>	<i>February 3,</i> 1960
Operations		
Net Sales		\$1,222,596,263
Income Tax		32,775,000
Net Earnings		30,656,537
Dividends		27,010,180
Earnings Reinvested		3,646,357
Additions to Property and Equipment		36,073,835
Depreciation and Amortization		6,429,527
Average Number of Employees		63,153
Financial Position		
Cash and Securities	\$	33,556,078
Accounts Receivable		356,590,631
Inventories		260,218,266
Net Investment in Properties and Equipment		104,691,071
Shareholders' Interest		
Investment per Common Share	\$	48.85
Net Earnings per Common Share		2.28
Dividends per Common Share		2.00
Shares Outstanding		
Class "A"		201,554
Common		12,803,406
Number of Shareholders		106,006

MONTGOMERY WARD

Chicago, Illinois

ANNUAL REPORT 1959



DIRECTORS

John A. Barr
Chairman of the Board
Philip R. Clarke
Chairman, Executive Committee
Russell P. Bygel
Harry P. Davison
Percy B. Eckhart
Paul M. Hammaker
Meyer Kestnbaum
Charles J. Kushell, Jr.
Lenox R. Lohr
Ernest S. Marsh
Robert L. Milligan
Solomon A. Smith

OFFICERS

John A. Barr, *Chairman*
Paul M. Hammaker, *President*
Charles J. Kushell, Jr., *Financial Vice President*
Edmund P. Platt, *Vice President, Merchandising*
Harold F. Dysart, *Vice President, Operating*
Thomas M. Green, *Vice President, Facilities Development*
Anthony D. Eastman, *Vice President, Personnel*
Russell P. Bygel, *Vice President*
Julius P. Hansen, *Vice President*
Lester O. Naylor, *Vice President*
James E. Caldwell, *Controller*
Andrew Lamb, *Treasurer*
Charles J. Barnhill, *Secretary*
John M. Clark, *Assistant Treasurer*
David L. Dickson, *Assistant Secretary*
Harold W. Bancroft, *Assistant Secretary*

TRANSFER AGENTS

The Northern Trust Company, Chicago, Ill.
Morgan Guaranty Trust Company of New York, New York, N. Y.

REGISTRARS

The First National Bank of Chicago, Chicago, Ill.
Bankers Trust Company, New York, N. Y.

January 28, 1959	January 31, 1958	January 31, 1957	January 31, 1956
\$1,092,267,472	\$1,073,799,422	\$1,045,767,458	\$969,946,996
28,800,000	30,660,000	38,190,000	38,260,000
28,030,510	29,696,757	35,844,479	35,441,046
27,011,140	30,507,029	30,671,579	30,671,579
1,019,370	(810,272)	5,172,900	4,769,467
27,271,255	20,476,338	10,516,918	3,339,409
5,334,929	4,517,949	3,588,874	3,081,225
58,152	59,714	57,691	55,010
\$ 94,730,001	\$ 148,895,965	\$ 198,191,231	\$241,482,776
305,325,253	277,179,867	237,915,314	189,725,601
242,026,480	227,432,485	247,094,113	262,625,068
75,225,195	53,578,754	37,792,614	31,065,582
\$ 48.57	\$ 48.49	\$ 48.34	\$ 47.94*
2.08	2.19	2.65	2.62*
2.00	2.25	2.25	2.25*
201,554	201,554	201,554	201,554
12,796,256	12,808,556	13,004,756	13,004,756*
99,956	92,127	84,605	74,674

*Adjusted for 2-for-1 stock split in May 1956.

